GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4740
ANSWERED ON:25.04.2008
PUBLIC SECTOR BANKS
Pradhan Shri Prasanta

Will the Minister of FINANCE be pleased to state:

(a) whether the Government / Reserve Bank of India had given permission to the Public Sector Banks to tie up with the Private Insurance and Mutual Fund Companies to enhance business in lieu of Commission to the Public Sector Banks;

(b) if so, the reasons therefor;

(c) whether there is a possibility to leak out the customer profile to the agents of the Private Insurance / Mutual Fund Companies;

(d) if so, the details thereof; and

(e) the extent to which the customers are likely to be affected as a result thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): In terms of 'Master Circular on para-banking activities' issued by Reserve Bank of India (RBI) on 02.07.2007, banks may engage themselves in insurance agency business or referral arrangement and may enter into agreements with mutual funds for marketing the mutual fund units.

(c) to (e): RBI has, vide its circular dated 12.05.2004, advised the banks that the information provided by the customers for Know Your Customer (KYC) compliance while opening an account is confidential and divulging any details thereof for cross selling or any other purpose would be in breach of customer confidentiality obligations.Further, banks have also been advised that whenever they desire to collect any information about the customer for a purpose other than KYC requirements, it should not form part of the account opening form. Such information may be collected separately, purely on a voluntary basis, after explaining the objectives to the customer and taking his / her express approval for the specific uses to which such information could be put. The banks have been advised to ensure compliance with their obligations to the customers with regard to customer confidentiality obligations.